

## Message Text

CONFIDENTIAL

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 IO-06 INR-05 INRE-00 CIAE-00

NSAE-00 NSCE-00 SSO-00 STRE-00 STR-02 L-01 SP-02

EUR-08 TRSE-00 OMB-01 /044 W

-----023320 161754Z /50

O 161727Z JAN 78

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 4777

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 GENEVA 00601

LIMDIS

USMTN

USEEC

PASS STR ELECTRONICALLY FOR AMBASSADORS STRAUSS AND WOLFF  
FROM MCDONALD

E.O. 11652: GDS

TAGS: ETRD, MTN, EC

SUBJECT: EC STATUS REPORT LATE P.M. JANUARY 16

1. MCDONALD TALKED BY TELEPHONE AGAIN WITH SIR ROY DENMAN  
LATE THIS AFTERNOON TO ASSESS ANY FURTHER DEVELOPMENTS.  
DENMAN SAYS THE FRENCH POSITION IS STILL IN DOUBT AND HE  
SEES NOTHING ANYONE CAN DO AT THIS STAGE BUT SIMPLY RIDE  
OUT THE MEETING TOMORROW AS PLANNED. DENMAN, HAFERKAMP,  
AND PERHAPS OTHER COMMISSIONERS WILL BE HAVING BREAKFAST  
WITH ROSSI IN THE MORNING BEFORE THE MEETING TO TRY TO  
COME TO A CONCLUSION.

2. DENMAN IS NOW WORRIED ABOUT BOTH THE POLITICAL PRE-  
SENTATIONAL PROBLEM (BARRE'S CONCERN) AND A SECOND FRENCH  
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FACTION WITH PERHAPS A SUBSTANTIVE PROBLEM (PROBABLY ROSSI  
AND OTHER APPEALING TO GISCARD D'ESTAING). THE EC WILL BE  
PRESSING FOR APPROVAL OF ITS RECOMMENDATION IF AT ALL  
POSSIBLE BUT WILL CONSIDER PRESENTATIONAL VARIATIONS IF  
NECESSARY TO MAKE THEIR OFFER COMMENSURATE WITH OUR AGREE-  
MENT WITHOUT MENTIONING NUMBERS. FOR EXAMPLE, THIS  
MIGHT CALL FOR THEM TABLING AN OFFER "BASED ON THE SWISS

FORMULA USING A COEFFICIENT OF 16X." AS LONG AS WE HAVE NO SUBSTANTIVE SLIPPAGE, SUCH AN EXPRESSION SHOULD NOT POSE EXCESSIVE PROBLEMS FOR US AT THIS STAGE. SINCE THEIR INTENT WOULD BE CLEAR, WE COULD READILY BEGIN OUR DETAILED BILATERALS ON THAT BASIS, FILLING IN THE BLANKS AS WE PROCEED.

3. REGARDLESS OF WHAT HAPPENS IN BRUSSELS, MCDONALD FAVORS A CALM, MODERATE RESPONSE, PUSHING AHEAD WITHOUT FLINCHING TO TABLE OFFERS AND CARRY THROUGH ON THE 23RD. WE HAVE CAREFULLY BUILT UP AND NURTURED A DELICATE MOMENTUM THAT IS GAINING SPEED. IF HALTED NOW BY A MAJOR CONFRONTATION, IT IS UNLIKELY WE COULD GET IT MOVING AGAIN WITHIN A REASONABLE TIMEFRAME. THEREFORE, WE SHOULD AVOID CASTIGATING ANYONE AT THIS STAGE BUT CLOSE OUT THIS PRELIMINARY PHASE, BEGIN THE INTENSIVE NEGOTIATIONS WITH AS MUCH FANFARE AS POSSIBLE, AND SIMPLY POINT OUT THAT WE STILL HAVE MANY DIFFERENCES OF POSITION NECESSARY TO RESOLVE IN THE COMING SIX MONTHS. THIS SHOULD BE SURPRISING TO NO ONE SINCE RESOLVING OUR DIFFERENCES IS WHAT A NEGOTIATION IS ALL ABOUT. CLEARLY WE WILL HAVE THE SCOPE OF THIS NEGOTIATION OUTLINED AND A REASONABLE BASIS LAID FOR PROCEEDING WITH THE INTENSIVE NEGOTIATIONS PROPER.

4. WITHIN THIS GENERAL FRAMEWORK, WE SHOULD PROBABLY HAVE NO PUBLIC REACTION OR EVEN RESPONSE DIRECTLY TO THE EC IF THEY CAN EITHER GAIN APPROVAL OF THE COMMISSION'S RECOMMENDATION AS SUBMITTED OR FIND A PRESENTATIONAL SOLUTION WITHOUT GIVING ON SUBSTANCE.

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MENDATION AS SUBMITTED OR FIND A PRESENTATIONAL SOLUTION WITHOUT GIVING ON SUBSTANCE.

5. IF THEY SHOULD MAKE A LOWER OFFER THAT ULTIMATELY WOULD BE UNACCEPTABLE TO THE U.S., WE SHOULD STILL STAY FAIRLY LOW KEY IN PUBLIC RESPONSES SINCE THESE WOULD PROBABLY ONLY PLAY INTO THE HANDS OF OPPONENTS OF THE MTN IN FRANCE, IN OTHER EUROPEAN COUNTRIES, AND IN THE U.S. AS WELL WHO WOULD WELCOME A BLOW-UP NOW. INSTEAD, WE SHOULD PREPARE A CONFIDENTIAL LETTER TO HAERKAMP FROM AMBASSADOR STRAUSS, OUTLINING THESE POINTS:

A) REQUEST CONSIDERATION BY THE EC AND UPGRADING OF THEIR OFFER TO MATCH THE U.S. AGREEMENT WITHIN 90 DAYS (THIS TAKES US PAST THE FRENCH ELECTION PERIOD AND INTO THE CRUNCH TIME OF MID-APRIL WHICH WILL BE ONE OF OUR KEY DECISION POINTS).

B) INDICATE THAT ON THE BASIS OF THE REDUCED EC OFFER, THE U.S. WITHDRAWS ITS SUPPORT FOR UNILATERAL SELECTIVE SAFEGUARDS UNTIL A MORE BALANCED PACKAGE CAN BE PRODUCED, E.G., WITH 40 PERCENT INDUSTRIAL TARIFF CUTS OR GENEROUS

AGRICULTURAL CONCESSIONS.

C) IF THE EC OFFER DOES NOT REACH THE 40 PERCENT  
AVERAGE LEVEL WITHIN THE NEXT 90-DAY PERIOD, THE U.S.  
WILL MOVE TO BALANCE THE EC LEVEL EXCLUSIVELY BY REDUCING  
THE DEGREE OF HARMONIZATION INCLUDED IN ITS ORIGINAL  
OFFER.

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C O N F I D E N T I A L SECTION 02 OF 02 GENEVA 00601

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6. IN SUM, THESE ARE ONLY REFLECTIONS ON A FALLBACK  
POSTURE AND POSITIONS IN CASE THE FRENCH BLOCK THE 40 PER-  
CENT PROPOSITION. HOPEFULLY, NONE OF THESE WILL BE  
NECESSARY AND THE COUNCIL OF MINISTERS WILL MAKE A POSI  
TIVE DECISION POSSIBLE EVEN WITH THE FRENCH ABSTAINING.  
THE MEETING BEGINS AT 10 A.M. BRUSSELS TIME AND A DECISION  
IS EXPECTED BY NOON. DENMAN WILL TELEPHONE MCDONALD AND  
HINTON WITH THE RESULTS OR ALONG THE WAY IF A STALEMATE  
OCCURS. MCDONALD

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## Message Attributes

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